

Exhibit E

Part 1 of 2

SAVINGS AND INVESTMENT PLAN

SOLUTIA INC.

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The information in this booklet is provided to Solutia employees and other inactive participants who are eligible for this plan and is your Summary Plan Description. This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933. It covers Solutia Inc. common stock and related Preferred Share Purchase Rights offered through the Solutia Savings and Investment Plan. Additionally, certain sections of this document (pp. 7-13) constitute part of prospectus covering securities offered through the SIP Parity Plan.

Effective April 1, 1999

CMS-11 (2) (8/99)

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OVERVIEW

Your Savings and Investment Plan (SIP) is an opportunity to save. Whatever your savings goal, saving now is important because the more time you let your money work for you, the better. Better yet, when you save through SIP, Solutia adds to your savings with matching contributions.

You decide how much you want to save each pay period – from 1% to 16% of your eligible pay (in whole percentages). You decide if you want to save pre-tax dollars or after-tax dollars or a combination of both.

Whether you save with pre-tax or after-tax dollars, Solutia adds to your account. For each dollar you save – up to 8% of your eligible pay – Solutia adds 60¢ to your account. The Solutia matching contribution is invested in Solutia common stock.

You are always 100% vested in (or fully own) the money you contribute to SIP and the earnings on those contributions. You become fully vested in the Solutia matching contributions after three years of service.

You have ten investment choices. You can elect one of SIP's four pre-mixed diversified portfolios designed to reflect the level of risk at which you are comfortable. Or you can create your own portfolio from the six investment funds offered.

You can get your money out of SIP by taking a loan, making a withdrawal or taking a distribution (either as a lump sum or in installment payments) after you retire or terminate. If you saved with pre-tax dollars, you can get a withdrawal or a distribution only after you terminate employment, become disabled and are unable to perform any reasonable occupation, die or reach age 59-1/2. If you have saved with after-tax contributions, you can withdraw those contributions at any time.

YOUR PRACTICAL GUIDE

If you want to:	Call the Solutia Benefits Center (1-888-726-8616) and it will be effective:
<i>Enroll in SIP or change the percentage of eligible pay you are contributing either after-tax, before-tax or both:</i>	As soon as administratively possible and no later than the third paycheck after your call.
<i>Change how future contributions are invested among the investment funds and pre-mixed portfolios:</i>	The next business day.
<i>Transfer existing balances among invested funds, apply for a Company Match Stock Transfer Election, or make a Company Match Reallocation Election:</i>	The same day provided you call by 3 p.m. Central time on a business day; otherwise, the next business day.
<i>Make an in-service or age 59-1/2 withdrawal:</i>	As soon as administratively possible after signed confirmation notice is received by the Benefits Center ¹ .
<i>Request a new loan:</i>	As soon as administratively possible after a request to the Benefits Center; usually within two weeks.
<i>Request a final or partial distribution or begin receiving installment payments:</i>	As soon as administratively possible after signed confirmation notice or installment election form is received by the Benefits Center ¹ .
<i>Change installment payment period or frequency:</i>	As soon as administratively possible after signed installment election form is received by the Benefits Center.

¹Your signed confirmation notice must be received in the Benefits Center by the date indicated in the notice or your request will be canceled.

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Who's Eligible

You are eligible to join SIP if you are an employee of Solutia or any participating subsidiary. (See page 38 for the exception that applies to temporaries, per diems, co-ops, summer students, seasonal employees and other "non-regular" employees.)

How to Enroll

To join SIP, decide how much you want to save and how you want to invest your account. Then, complete the SIP Telephone Enrollment Worksheet (included in your SIP enrollment kit) and call the Benefits Center at 1-888-726-8616.

Enrolling through the Benefits Center authorizes Solutia to deduct your contributions from your pay. The amount you elect to save is automatically taken from your paycheck beginning as soon as possible, but not later than your third paycheck after you enroll.

When you enroll in SIP, you also need to designate a beneficiary. Complete the "Beneficiary Designation" form included in your SIP enrollment kit and return it by U. S. mail to the Benefits Center. If you are married, you must designate your spouse as your beneficiary unless he or she agrees in writing to your designation of someone else and that written consent is witnessed by a Notary Public. (You can change your beneficiary with your spouse's written consent, but it's important for you to realize that, in order to be effective, the form indicating the latest beneficiary must be filed with the Benefits Center — not kept in a drawer at home.)

How the Plan Works

SECTION I: PUTTING MONEY INTO SIP

Generally, there are three questions you'll have to answer as you put money into SIP:

1. HOW MUCH DO YOU WANT TO SAVE?
2. DO YOU WANT TO SAVE AFTER-TAX DOLLARS, BEFORE-TAX DOLLARS, OR BOTH?
3. HOW DO YOU WANT TO INVEST YOUR SIP CONTRIBUTIONS?

1. HOW MUCH DO YOU WANT TO SAVE?

You can decide to save from 1% to 16% of your eligible pay, in whole percentages. (Due to IRS restrictions, your allowable maximum SIP contribution may be less than 16% of your eligible pay. See next page.)

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Eligible pay includes items actually paid such as base pay, overtime pay, shift differential and annual cash incentive or gainsharing pay. Eligible pay does not include items such as tool allowance, pay in lieu of vacations or employer benefits contributions. Also, by IRS rules, eligible pay for purposes of SIP contributions is limited to \$160,000 in 1999 (see below). Currently, this dollar limit is indexed and may increase in the future to reflect increases in the Consumer Price Index.

Your savings up to the first 8% of your eligible pay are increased by Company Match contributions from Solutia. For every dollar you save, up to 8% of your eligible pay, Solutia contributes 60¢. This is called the "Company Match." Savings in excess of 8% of your eligible pay are not matched. (Exceptions to this matching contribution apply to employees of the CPFilms business unit group and to per diems, temporaries, co-ops, summer students and seasonal employees. See page 38.)

IRS LIMITS ON YOUR CONTRIBUTIONS

Depending on your eligible pay, there may be restrictions on your after-tax contributions, before-tax contributions or both. **If you reach any of these restrictions, you will be notified of your status and options.** Here are the limits:

- ▶ **Before-tax contribution limit:** Your annual before-tax contributions to SIP (and any other similar plan) are limited to \$10,000 in 1999. This limit may increase in the future to reflect increases in the Consumer Price Index. Contributions in excess of this limit will automatically be converted to after-tax contributions.
- ▶ **HCE limit:** For highly compensated employees ("HCE"), contributions may be limited, depending on the average contributions of non-highly compensated employees. In 1999, a "highly compensated employee" is a person who had earnings of over \$80,000 in 1998. This earnings amount may be indexed in future years to reflect increases in the Consumer Price Index.
- ▶ **"Benefit Limit":** Under the Benefit Limit, the most that can be contributed to SIP by you and Solutia is generally the lesser of (a) \$30,000 or (b) 25% of your W-2 compensation (limited to \$160,000 in 1999) per calendar year.
- ▶ **Pay Limit:** Eligible pay for purposes of SIP contributions is limited to \$160,000 in 1999. Currently, this dollar limit is indexed and may increase in the future to reflect increases in the Consumer Price Index.

If your contributions to SIP and any related match are limited because of the Benefit Limit or the Pay Limit, you will have the opportunity to participate in a non-qualified plan (the SIP Parity Plan). If your before-tax contributions to SIP plus any before-tax 401(k) contributions you made to another employer's qualified plan exceed the maximum annual before-tax contribution limit (\$10,000 in 1999), you may elect in writing the amount of excess before-tax contributions to be distributed from SIP. Your election must be made on

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a form provided by the Benefits Center and must be received by the Center not later than the March 1 immediately following the end of the calendar year in which you made the excess before-tax contribution. If your election is timely filed, you will receive a distribution of your excess before-tax contributions adjusted for earnings and losses on such amount. Your distribution will be made on or before the April 15 immediately following your timely election. If you make excess before-tax 401(k) contributions and do not elect a distribution of the excess, you will need to pay income tax on the excess in the year contributed **and again** in the year distributed from the plan.

DIRECT ROLLOVERS TO SIP

Active participants may elect to directly roll over eligible taxable lump sum payouts or partial distributions from qualified pension and defined contribution plans from previous employers (other than the company, its subsidiaries and affiliates) into SIP. Rollovers from IRAs will not be accepted, nor will installment or annuity distributions over a period exceeding the lesser of 10 years or your life expectancy; minimum required distributions at or after age 70-1/2; or shares of stock, bonds, other securities or other non-cash items.

In order to make a direct rollover, you will need to call the Benefits Center and request an "Application for Direct Rollover." After completing this form, submit it to the Benefits Center along with the following documentation:

- ▶ a check issued by the prior plan and made payable to "Solutia Savings and Investment Plan FBO (for the benefit of) (participant's name)";
- ▶ a distribution statement or IRS Form 1099-R from the prior plan itemizing the amount of the distribution and the taxable portion; and
- ▶ a copy of the prior plan's summary plan description or other proof that the prior plan was qualified under Section 401(a) of the Internal Revenue Code.

Direct rollover amounts will be treated as before-tax contributions and will be subject to SIP's before-tax rules, including those relating to loans, distributions and investment transfers. Company Match contributions are not made on direct rollover amounts.

Direct rollover checks received by the Benefits Center will be approved after the complete documentation is received and will be deposited into your Rollover Account and invested in accordance with your investment election.

2. DO YOU WANT TO SAVE AFTER-TAX DOLLARS, BEFORE-TAX DOLLARS, OR BOTH?

You have now decided the total percentage of eligible pay (in 1% increments) you wish to contribute to SIP.

Your next step is to decide how you wish to divide that total percentage between after-tax and before-tax (in 1% increments).

Before-tax and after-tax contributions have different impacts on your taxable income. When you make a before-tax contribution, you are reducing your current taxable income by the amount of your before-tax contribution. On the other hand, an after-tax contribution does not reduce your current tax

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able income. Thus, when you make a before-tax contribution (as opposed to making the same contribution on an after-tax basis), you will have lower current year taxable income and will actually pay less income tax in the year of the contribution. Remember, even though your before-tax contribution is not currently taxed, it will be taxable when distributed to you or your beneficiary unless it is properly rolled over to an IRA or another employer's qualified plan.

Before you decide between before-tax and after-tax, consider that while before-tax contributions offer certain current tax advantages, there are restrictions on how and when you can access your before-tax contributions. Review the "Taking Money Out of SIP" section before deciding how much you wish to contribute on either an after-tax or before-tax basis.

Neither after-tax contributions nor before-tax contributions impact base pay calculations for other employer-provided benefits or the amount of your wages subject to Social Security (FICA) tax.

PLAN ACCOUNTS

Depending on your elections, the following accounts will be opened in your name:

- ▶ After-Tax Account — for your after-tax contributions.
- ▶ Before-Tax Account — for your before-tax contributions and any direct rollover contributions you made prior to January 1, 1997 (see page 5).
- ▶ Rollover Account — for your direct rollover contributions after January 1, 1997 (see page 5).
- ▶ Company Match Account — for company contributions made on your behalf. This includes company match amounts in both the Solutia and Monsanto Stock Funds.

Amounts in all of the accounts listed above will include amounts transferred from the Monsanto SIP as of September 1, 1997.

3. HOW DO YOU WANT TO INVEST YOUR SIP CONTRIBUTIONS?

You have now decided on the total percentage of eligible pay you wish to contribute and how you wish to divide that total percentage between after-tax contributions and before-tax contributions. Your third decision is how you want to invest your contributions. Your investment election must be in 1% increments.

You will have ten investment choices.

You can invest in one of the following Pre-Mixed Portfolios:

- ▶ Conservative Portfolio
- ▶ Moderate Portfolio
- ▶ Moderately Aggressive Portfolio
- ▶ Aggressive Portfolio

You can create your own portfolio with the following six Underlying Funds:

- ▶ Fixed Income Fund
- ▶ Balanced Fund
- ▶ U. S. Equity Index Fund
- ▶ Growth and Income Equity Fund

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► International Equity Fund

- Solutia Stock Fund (election cannot exceed 30% of your after-tax and before-tax contributions).

Your investment election will apply to both your after-tax and before-tax contributions.

If there is no investment election on file, your after-tax and before-tax contributions will automatically be invested in the Fixed Income Fund.

In addition to the investment choices listed above, you may have contributions that were made prior to September 1, 1997, invested in the Monsanto Stock Fund. No future contributions may be invested in the Monsanto Stock Fund and no past contributions can be transferred into the fund.

COMPANY CONTRIBUTIONS

The Company Match on after-tax and before-tax contributions made on or after September 1, 1997, will automatically be invested in Solutia common stock through the Solutia Stock Fund.

Company Match contributions that were transferred from the Monsanto SIP were initially invested in the Solutia Stock Fund and the Monsanto Stock Fund.

PLAN EXPENSES

The expenses of administering SIP are charged against participants' SIP accounts. These administrative expenses include fees paid to Hewitt Associates L.L.C. for processing participants' elections, recordkeeping, preparing periodic statements and certain other administrative services under SIP. SIP administrative expenses also include fees paid to The Northern Trust Company for its services as trustee under SIP. Additional expenses for administering SIP also may be paid to others from time to time. SIP administrative expenses generally are charged to SIP participants on a pro-rata basis, based on the amount of their total SIP accounts relative to those of all other participants. In 1999, the amount of administrative expenses charged to SIP participants is estimated to be .17% of their total SIP accounts. In addition to administrative expenses, investment expenses are charged to SIP participants with respect to their investments in the Fixed Income, Balanced, U. S. Equity, Index, Growth and Income Equity and International Equity Funds, as described below under "Investment Choices." To find out the current administrative and investment expense fee percentages, call the Benefits Center.

INVESTMENT CHOICES

The following is a brief description of each of the investment choices available under SIP.

Pre-Mixed Diversified Portfolios

The pre-mixed diversified portfolios are designed to provide participants with professionally selected combinations of the underlying SIP investment

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funds (excluding the Solutia and Monsanto Stock Funds). The pre-mixed portfolios differ in estimated risk and return characteristics. Each pre-mixed portfolio is designed to have a mix of investment funds that provide the highest estimated return for a given level of risk. The portfolios will be rebalanced periodically to maintain targeted levels of investment in the underlying investment funds. The value of each portfolio depends on the values of the underlying investment funds in the portfolio. Since each portfolio contains investments in equity funds and some contain fixed income investments, the value of your investment in a pre-mixed portfolio will rise and fall as the value of the investments in the portfolio changes. There is a potential for gain and loss, and no guarantee of repayment of principal in each portfolio. The fees associated with the management of the pre-mixed portfolios will be charged to the accounts of participants who select the portfolios. Specific information and investment allocation of each of the four portfolios follows. This chart shows the proportion of underlying funds in each pre-mixed portfolio:

FUNDS	PORTFOLIOS			
	Conservative	Moderate	Moderately Aggressive	Aggressive
Fixed Income	60%	40%	25%	—
Balanced	20%	25%	—	—
U.S. Equity Index	20%	25%	30%	35%
Growth and Income Equity	—	10%	30%	45%
International Equity	—	—	15%	20%

- *Conservative Portfolio* — The objective for this portfolio is to provide current income, with some capital appreciation. This is the most conservative of the four pre-mixed portfolios and is often a comfortable choice with those with a lower tolerance for risk, and for those with a shorter time horizon — that is, a short amount of time between now and when they plan to withdraw their SIP balance. This mix has the lowest possibility of sustaining a short-term loss and the lowest expected return. The annual investment manager fees to be charged to the accounts of participants who invest in this pre-mixed portfolio are estimated to be .17% of the amount invested in the portfolio.
- *Moderate Portfolio* — The objective for this portfolio is to provide a balance of current income and capital appreciation. It is expected that this portfolio will have slightly more risk and a slightly higher expected return than the Conservative Portfolio, given its higher allocation to equities and reduced allocation to fixed income securities. The annual investment manager fees to be charged to the accounts of participants who invest in this pre-mixed portfolio are estimated to be .21% of the amount invested in the portfolio.

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► **Moderately Aggressive Portfolio** — The objective for this portfolio is to provide capital appreciation over the long term. This portfolio is primarily invested in all three equity funds with the remainder invested in the Fixed Income Fund. This portfolio is expected to have a slightly higher expected return than either the Conservative or Moderate Portfolios, and a slightly lower long-term expected return than the Aggressive Portfolio. The annual investment manager fees to be charged to the accounts of participants who invest in this pre-mixed portfolio are estimated to be .31% of the amount invested in the portfolio.

► **Aggressive Portfolio** — The objective for this portfolio is to maximize total return over the long term by investing 100% in a diversified mix of equities. Historically, this portfolio has had the highest short-term volatility and the highest long term return of any portfolio offered through SIP and is designed for investors willing to accept risks associated with equity securities and who have long investment horizons. The annual investment manager fees to be charged to the accounts of participants who elect this pre-mixed portfolio are estimated to be .38% of the amount invested in the portfolio.

Underlying Investment Funds

► **Fixed Income Fund** — This fund is designed for low risk of loss of capital and current income. Permissible investments for this fund include investment contracts issued by insurance companies and/or banks under which the issuer is responsible, subject to specified conditions, for repayment of principal (and, in some cases, principal and interest). Currently, this fund is invested in cash investments and in investment contracts backed by the following insurance companies: Commonwealth Life Insurance Company, Pacific Life Insurance Company, American International Group and Morgan Guaranty Company of New York. While these investment contracts are not guaranteed against failure of the insurance companies, the company's current selection criteria require each of the insurance companies to have a Moody's rating of A or better. The earnings rate credited to your account is based on the composite earnings rate of the various contracts. This fund may also invest in fixed income securities such as, but not limited to, mortgage-backed securities and government and high grade corporate securities. The fees and expenses incurred for the management of this fund will be charged to the accounts of the participants in this fund based on the amount of their balance in the fund relative to the balances in the fund of all other SIP participants. Currently, these fees and expenses include fees paid to investment managers who are responsible for the assets in the fund. The fees are a percentage of the assets under management which are paid to the following investment managers: Standish, Ayer & Wood, Inc.; NISA Investment Advisors L.L.C., Fischer, Francis, Trees and Watts, Inc. and Miller Anderson & Sherrard (Morgan Stanley Dean Witter). The annual investment related expenses to be charged to the accounts of participants who elect this fund for 1999 are estimated to be .26% of the assets in this fund. Since the Fixed Income Fund is not a publicly traded fund, it is not listed in business periodicals.

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- ▶ **Balanced Fund** — This fund invests in both fixed income and equity securities. A professional investment management firm directs the investment allocation of the fund balance between fixed income and equity securities. The objective of the fund is to achieve a higher overall rate of return than is available from the Fixed Income Fund but have less risk than the equity funds. Currently, all contributions to the Balanced Fund are invested in the Dodge & Cox Balanced Fund, which is managed by the investment advisory firm of Dodge & Cox. The value of the mutual fund shares depends on the value of the fund's fixed income and equity securities. As such, the value of the Balanced Fund account will rise and fall as the value of stocks and bonds in the fund changes. There is a potential for gain and loss and no guarantee of repayment of principal. Dodge & Cox's current policy is that no more than 75% of the Dodge & Cox Balanced Fund will be invested in common stocks. Individual securities are selected with an emphasis on financial strength and long-term profit potential. The fund's objectives are capital appreciation in favorable periods and conservation of principal in adverse times, but given the risks inherent in the financial markets, no assurance can be given that the fund will achieve its objectives. Investment fees charged to participants in this fund during 1999 are estimated to be .36% of the assets in this fund. This fund is not a publicly traded fund and is not listed in business periodicals.

- ▶ **U. S. Equity Index Fund** — This fund is designed to provide a cost-effective equity investment vehicle with exposure to the most highly capitalized part of the U. S. equity market. Its objective is to track the performance of the Standard & Poor's 500 Composite Stock Index. All contributions to the U. S. Equity Index Fund will be invested in the Mellon Bank, N.A. EB Daily Liquidity Stock Index Fund. It is a collective investment fund for qualified employee benefit trusts. Mellon Bank N.A. has retained its affiliate, Mellon Capital Management Corporation, to provide investment advisory services to the fund. The fund holds all of the stocks in the S&P 500 Index in proportion to their market capitalization-weighted values and offers participation in approximately 70-75 percent of the total U. S. equity market. The fund also uses S&P 500 Stock Index futures to facilitate the management of fund cash flows. The value of the U. S. Equity Index Fund will rise and fall as the value of the investments in the fund change. There is a potential for gain and loss and no guarantee of repayment of principal. The investment expenses of this investment option to be charged to participants for 1999 are estimated to be .05% of the assets in the fund. Since this fund is not a publicly traded stock fund, it is not listed in business periodicals. Performance is expected to closely track the S&P 500 Index.

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- ▶ *Growth and Income Equity Fund* — This fund is designed for long-term growth of capital. Its objective is to provide capital appreciation and above-market returns through the stock selection and portfolio management expertise of a select group of diversified professional investment advisors. The managers invest primarily in common stocks or securities convertible into common stocks. Each of the five investment managers for this fund invests a portion of the fund. The five current investment managers and their investment strategies are: Alliance Capital - invest in a broad array of large companies with above average growth prospects; Equinox Capital Management — invest in stocks with low price-earnings ratios; INVESCO - invest in large companies based upon their calculations of undervalued stocks; Lincoln Capital Management — invest in larger companies with above average earnings growth prospects; and RCM Capital Management — invest in smaller companies with good growth potential. The managers were chosen to provide a balance of growth and value management styles throughout the capitalization spectrum. The value of your Growth and Income Equity Fund account will rise or fall as the value of the stocks and securities in the fund change. The fees paid to the investment managers generally are a percentage of the assets under management. The investment expenses in this fund are estimated to be .48% of the assets of this fund for 1999 and will be charged to fund participants. This fund is not a publicly traded fund and is not listed in any business periodicals.
- ▶ *International Equity Fund* — This fund is designed to seek long-term growth of amounts invested in a diversified portfolio of stock of established companies in developed countries outside the U. S., along with managed exposure to investments in emerging markets which offer higher return potential. Funds are invested in the Capital Guardian International Fund. The investment expenses of this investment option to be charged to participants for 1999 are estimated to be .72% of the assets in this fund. This is not a publicly traded fund and is not listed in business periodicals.
- ▶ *Solutia Stock Fund/Employee Stock Account* — This fund invests primarily in Solutia common stock and may hold relatively small amounts of cash. You are not permitted to elect to have more than 30% of your before-tax and after-tax contributions invested in this fund. Your contributions to this fund and the Company Match will be held in separate accounts. Your contributions invested in this fund will be kept in a "Solutia Employee Stock Account." Company Match contributions invested in this fund will be kept in a "Solutia Company Match Account." The value of the Solutia stock in this fund may rise or fall, so there is a potential for gain and a potential for loss. There is no guarantee of repayment of principal. Shares for your account will come from within SIP if adequate shares are available from participant withdrawals and, if adequate shares are not available, from purchases on the open market. For purposes of determining gains or losses, it is assumed that shares are acquired at the fair market value on the date of purchase (shares available from participant withdrawals are assumed to be purchased on the effective date of the withdrawal). Company Match contributions may be used to release shares from the ESOP Suspense Account or to purchase shares on the open market or from within the plan (see page 47). Dividends paid on Solutia stock in the Solutia Employee Stock Account and Solutia

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Company Match Account will be used to purchase additional shares or (in the case of dividends on the Solutia Company Match Account stock only) to release shares from the ESOP Suspense Account to be placed in your Solutia Company Match Account. No investment expenses are charged at this time; however, amounts invested in the Solutia Stock Fund are charged for administrative expenses as described in "Plan Expenses" on page 7. Solutia Inc. common stock is publicly traded and its *Wall Street Journal* symbol is "SOL."

- ▶ *Solutia Stock Fund/Company Match Account* — Like the Solutia Stock Fund/Employee Stock Account, this fund invests in Solutia common stock and may hold small amounts of cash. All matching contributions Solutia makes on your behalf are invested in this fund.
- ▶ *Monsanto Stock Fund* — This fund is invested primarily in Monsanto common stock and may hold relatively small amounts of cash. The amounts in this fund reflect amounts contributed to the Monsanto SIP prior to August 31, 1997, that were invested in Monsanto common stock and which were not converted to Solutia common stock in connection with the spinoff of Monsanto's chemical businesses. Amounts attributable to your contributions are kept in a "Monsanto Employee Stock Account." Amounts attributable to employer matching contributions are kept in a "Monsanto Company Match Account." The value of the Monsanto stock in this fund may rise or fall, so there is a potential for gain and a potential for loss. There is no guarantee of repayment of principal. Dividends paid on Monsanto stock in the Monsanto Employee Stock Account will be invested in the Solutia Employee Stock Account and dividends paid on Monsanto stock in the Monsanto Company Match Account will be invested in the Solutia Company Match Account. No future contributions may be invested in this fund and no past contributions can be transferred to this fund. No investment expenses are charged at this time; however, amounts invested in the Monsanto Stock Fund are charged for administrative expenses as described in "Plan Expenses" on page 7. Monsanto Company common stock is publicly traded and its *Wall Street Journal* symbol is "MTC."

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INVESTMENT FUNDS PERFORMANCE

The following chart shows the average annual return of the SIP investment funds. Remember, however, past performance may not accurately predict future performance of an investment option. (Returns shown are net of investment expenses but not administrative expenses.)

AVERAGE ANNUAL TOTAL RETURN For periods ending December 31, 1998

Fund or Portfolio	1 year	2 year	3 year	5 year	10 year	low	high
Fixed Income Fund	6.2%	6.4%	6.5%	7.0%	8.7%	6.2%	11.9%
Balanced Fund	6.3%	13.5%	13.9%	14.0%	13.9%	0.9%	27.7%
U.S. Equity Index Fund	28.6%	31.1%	28.3%	24.0%	19.1%	-3.3%	37.3%
Growth & Income Equity Fund	21.0%	24.6%	23.2%	19.5%	18.2%	-2.8%	38.5%
International Equity Fund	12.0%	7.4%	10.1%	8.8%	9.3%	-13.0%	31.4%
Solutia Stock Fund/Employee Stock Account	-16.7%	12.1%*					
Solutia Stock Fund/Company Match Account	-15.9%	12.7%*					
Monsanto Stock Fund	12.9%	15.9%	31.1%	31.9%	23.7%	-13.1%	78.3%
Conservative Portfolio	11.1%	12.9%	12.4%	11.9%	12.0%	5.4%	17.9%
Moderate Portfolio	13.5%	15.9%	15.2%	14.1%	13.6%	3.5%	21.8%
Moderately Aggressive Portfolio	21.3%	19.9%	18.0%	15.8%	14.9%	1.2%	24.5%
Aggressive Portfolio	25.8%	22.8%	22.3%	19.2%	17.3%	-4.6%	32.7%

*For period September 2, 1997 to December 31, 1998.

PERIODIC STATEMENTS

Currently, personalized statements are distributed quarterly to reflect the amount in your accounts by investment choice as of the beginning and end of the quarter and any activity during the period.

SAVINGS AND INVESTMENT PLAN

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VESTING RIGHTS

"Vesting" is used to determine the percentage of your Company Match Account you will receive if you terminate employment. You are always 100% vested in the current value of your contributions (after-tax and before-tax) and earnings on those contributions.

If you were hired **on or after January 1, 1999**, you'll become 100% vested in Solutia matching contributions once you have three years of service. If you leave Solutia before you have three years of service, you will forfeit your matching contributions. The partial vesting schedule shown below will not apply to you. Forfeitures are applied to reduce future matching contributions by your employer.

If you are re-employed by the company or a subsidiary before you incur five consecutive one-year Breaks in Service, the forfeited Company Match will be restored to your Solutia Company Match Account. If you complete three years of Vesting Service (including your years of Vesting Service before such Break in Service), you will become 100% vested in your Company Match Account, including the restored forfeited amount.

If you were hired **before January 1, 1999**, and you've been with Solutia for less than three years, the following vesting schedule applies to you:

Years of Service	Vesting Percentage
Less than 1 year	0%
1 year	20%
2 years	40%
3 years	100%

No matter how many years of Vesting Service you have, you are automatically vested 100% if, while an active employee, you reach age 65, die, or become disabled. Disabled means you are unable to perform, with or without reasonable accommodation, any reasonable occupation for which you are qualified or may become qualified by virtue of education, training or experience.

Following are key definitions used to determine whether you are vested:

► **Hour of service:** In general, an hour of service means each hour for which you are paid (either directly or indirectly) or are entitled to payment from the company or a subsidiary including payment for time not actually worked. This would include holidays, vacation and temporary disability.

In addition, if you became employed by Solutia on September 1, 1997, you were credited with hours of service equal to your hours of service under the Monsanto SIP as of August 31, 1997.

► **Year of Vesting Service:** You began to receive Vesting Service on your **first day at work**. You are credited with one month of Vesting Service for each month during which you have an hour of service. You will be

SAVINGS AND INVESTMENT PLAN

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credited with one year of Vesting Service for each 12 months of Vesting Service you earn. In addition, if you became employed by Solutia on September 1, 1997, you were credited with years of Vesting Service equal to your years of Vesting Service under the Monsanto SIP as of August 31, 1997. You may be eligible to be credited with additional years of Vesting Service based on work done for Solutia while self-employed or while working for a third party. Contact the Benefits Center if this may be applicable.

► **Break in Service:** You will incur a one-year Break in Service if you do not complete an hour of service in any 12-month period.

SECTION II: MAKING CHANGES IN SIP

In the first section, we reviewed the three questions you need to answer as you put money into SIP: how much of your eligible pay to save; how to split your contributions between after-tax and before-tax; and how to invest your contributions.

The chart shown below sketches how you can change any of those decisions while you are an active employee.

MAKING CHANGES IN SIP	
IF YOU WANT TO —	THEN CALL THE BENEFITS CENTER AND YOUR ELECTION WILL BE EFFECTIVE —
Enroll in SIP or change the percentage of eligible pay you are contributing	As soon as administratively possible but no later than your third paycheck after you call
Change how your FUTURE contributions are invested	The following business day
Transfer the value of your EXISTING balances among the investment choices	That day provided you call by 3:00 p.m. Central time on any business day; otherwise, the next business day

SAVINGS AND INVESTMENT PLAN

*How
the Plan
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– Making
Changes
(cont'd)*

TRANSFER OF EXISTING BALANCES

You may elect to transfer all or a portion of your existing balances among the various investment funds (excluding the Monsanto Stock Fund) and a pre-mixed portfolio. The transfer of existing balances can be done by either:

- ▶ electing to transfer a specific dollar amount or 100% of the amount in an investment fund or pre-mixed portfolio to another investment fund (excluding the Monsanto Stock Fund) or pre-mixed portfolio; or
- ▶ reallocating your existing balances by electing percentages to be invested in each of the investment funds (excluding the Monsanto Stock Fund) and pre-mixed portfolios.

Transfers of existing balances will not include your Company Match Account invested in the Solutia Stock Fund.

There are two limitations on transferring existing balances: (1) you may transfer amounts into the Solutia Stock Fund to the extent such transfer would not result in more than 30% of your balances being invested in your Employee Stock Account in the Solutia Stock Fund; and (2) you may transfer amounts out of the Monsanto Stock Fund, but you cannot transfer amounts into the Monsanto Stock Fund.

The value of the portion of your Solutia Employee Stock Account transferred to another fund or portfolio will be based on the closing value of the Employee Stock Account's portion of the Solutia Stock Fund as of the business day in which the transfer is made.

COMPANY MATCH STOCK TRANSFER ELECTION

If you have a Company Match Account in the Monsanto Stock Fund, you can transfer all or part of such account to any of the other investment funds or a pre-mixed portfolio. In addition, if you are either (1) an active employee who is at least age 50 and fully vested or (2) a former employee who is in deferral status or who is receiving installment payments, you can transfer all or part of your Company Match Account in the Solutia Stock Fund to the other investment funds (excluding the Monsanto Stock Fund) and/or the pre-mixed portfolios.

Important notes:

- ▶ All amounts in a Company Match Account which are transferred to the other investment funds or a pre-mixed portfolio will continue to be accounted for separately and will be subject to the loan and withdrawal restrictions on your Company Match Account.
- ▶ If you transfer all or a portion of your Monsanto Company Match Account into the Solutia Stock Fund, you will not be able to transfer such amounts to the other investment funds and/or the pre-mixed portfolios until the earlier of (a) the date you reach age 50; or (b) the date you terminate employment.

SAVINGS AND INVESTMENT PLAN

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Company Match Stock Transfer Elections may be made at any time. The value to be transferred will be based on the closing value as of the business day in which the transfer is made.

Minimum Price Election vs. Market Price Election

When you elect to make a Company Match Stock Transfer of amounts in your Solutia Company Match Account, you will have two options — a Minimum Price Election or a Market Price Election. If you elect to make a Minimum Price Election, you will be asked to specify a minimum value that the stock must equal or exceed at the end of the business day in which the request is made before the transfer will take place. This feature protects the value of your account against a sudden drop in the stock market. For example, if you choose \$25 per share as the lowest acceptable market price for your transfer and the stock was valued at \$20 at the end of the day, no transfer would be made and your request will be canceled.

On the other hand, if you make a Market Price Election by 3 p.m. Central time on any business day, the transfer will take place that day, regardless of the closing stock price on that day. If you elect to make a Company Match Stock Transfer Election of amounts in your Monsanto Stock Fund Company Match Account, such transfer will automatically be a market price election.

Investment Of Diversified Company Match Account Amounts

When you elect to make a Company Match Stock Transfer, you must specify how the value transferred out of the Solutia Stock Fund and/or the Monsanto Stock Fund should be invested, in 1% increments, among the other investment funds (excluding the Monsanto Stock Fund) and/or pre-mixed portfolios. Amounts transferred to the other investment funds and/or pre-mixed portfolios as a result of a Company Match Stock Transfer Election are sometimes called "diversified Company Match Account amounts."

After the transfer occurs, you can make additional transfers of your diversified Company Match Account amounts among the other investment funds (excluding the Monsanto Stock Fund) and/or pre-mixed portfolios. You will need to elect how your diversified Company Match Account amounts are to be invested (in 1% increments) after the transfer. (If you make a transfer of existing balances [see page 16], such transfer will include your diversified Company Match Account amounts.)

*How
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In addition, you will be able to transfer amounts back into the Solutia Stock Fund. See "Company Match Reallocation Election," below. You will not, however, be able to transfer amounts back into the Monsanto Stock Fund.

How To Make Your Election

You must call the Benefits Center by 3 p.m. Central time on any business day for your Company Match Stock Transfer Election to be effective that day. To make such an election, you will need to speak to a Benefits Center Representative. You will need to either specify a dollar amount or indicate that you want 100% of your Solutia Company Match and/or Monsanto Company Match balance to be transferred. You will receive a confirmation of your Company Match Stock Transfer Election.

You need to keep in mind...

Once you make a Company Match Stock Transfer Election, there are several things to keep in mind:

- ▶ The Company Match on future contributions will continue to be invested in the Solutia Stock Fund. You can then make a Company Match Stock Transfer Election for those amounts.
- ▶ The beneficial tax treatment for "Unrealized Appreciation" applies only to stock and consequently will not apply to Company Match balances transferred to other funds and/or subsequently distributed in cash. See page 45 for a more complete explanation of "Unrealized Appreciation."
- ▶ The Company Match Stock Transfer Election option provides you with greater investment flexibility by allowing you to diversify your account balance as you approach retirement age. It is your decision whether to exercise this option.

COMPANY MATCH REALLOCATION ELECTION

If you make a Company Match Stock Transfer Election with respect to amounts in your Solutia Company Match Account, you may subsequently transfer all or a portion of such Company Match amounts invested in the pre-mixed portfolios or the other investment funds into the Solutia Stock Fund. Your reallocation election must specify, in 1% increments, the percentage of your diversified Company Match Account amounts to be reinvested in the Solutia Stock Fund as well as the percentages to be invested in the pre-mixed portfolios and other investment funds (excluding the Monsanto Stock Fund) after the transfer.

If you make a reallocation election while an active employee, the amount transferred into the Solutia Stock Fund may only be transferred out of the Solutia Stock Fund by making a Company Match Stock Transfer Election or at the time of a distribution or deferral election.

SAVINGS AND INVESTMENT PLAN

You will need to call the Benefits Center by 3 p.m. Central time on any business day for your Company Match Reallocation Election to be effective that day. To make a Company Match Reallocation Election, you will need to speak to a Benefits Center Representative. You will receive a confirmation of your Company Match Reallocation Election.

SECTION III: TAKING MONEY OUT OF SIP

There are five ways you can get your money out of SIP: withdrawals, loans, final distributions after termination or retirement, partial distributions after termination or retirement, and installment payments after termination or retirement. (If you retire or terminate employment, you may be able to defer receiving a final distribution.) Your employment status — whether you are an active employee or a terminated or retired employee — and age will determine which options are available to you.

You may recall that there are two options for putting money into SIP: after-tax and before-tax. **Note that the withdrawal provisions described below apply only to your after-tax money and the Company Match if you are under age 59-1/2.** In other situations, your before-tax money may also be available.

The charts below summarize your options for taking money out of SIP. Following the charts is a more detailed description of each of those options.

A few notes about the options for taking money out of SIP:

- ▶ They are not necessarily exclusive of each other. For example, as an active employee, you may be able to take a withdrawal as well as a loan. As a terminated employee, you may elect to defer your SIP distribution and then elect either a final distribution or installment payments.
- ▶ All payments are based on the value of each SIP account as of the day your request is processed by the Benefits Center. Your request will be processed as soon as administratively possible after your signed documentation is received in the Benefits Center, usually within two business days.
- ▶ Tax information is included beginning on page 38 to provide an overview of the impact of your choices.

SAVINGS AND INVESTMENT PLAN

How the Plan Works (cont'd)

Taking Money Out Of SIP – Your Options

<u>YOUR STATUS</u>	<u>OPTIONS</u>	<u>HIGHLIGHTS</u>	<u>SEE PAGE(S)</u>
ACTIVE EMPLOYEE	Withdrawal (In-Service and Age 59-1/2)	At any age, can withdraw your after-tax contributions and earnings. If you have at least five years of SIP participation (including your Monsanto SIP participation if you became a Solutia employee on September 1, 1997), can withdraw all Company Match on before-tax and after-tax contributions. At and after age 59-1/2, can also withdraw your before-tax contributions and earnings. Minimum withdrawal is \$200.	23-24
	Loan	Loan amounts are taken first from your before-tax funds and then from your after-tax funds. Minimum loan amount is \$500. Maximum loan is the lesser of: (1) 50% of vested account balances (including Company Match), or (2) \$50,000 minus highest outstanding loan balance in last 12 months. Maximum of two outstanding loans at a time. From 12- to 60-month pay-back period. Repayments are invested according to your current investment elections in the plans.	24-27

SAVINGS AND INVESTMENT PLAN

How the Plan Works (cont'd)

Taking Money Out Of SIP – Your Options (cont'd)

<u>YOUR STATUS</u>	<u>OPTIONS</u>	<u>HIGHLIGHTS</u>	<u>SEE PAGE(S)</u>
EMPLOYEE WHO LEAVES EMPLOYMENT	Final Distribution	You receive the entire balance of your accounts. Any remaining unpaid loan balance is canceled, taxed and subtracted from amount you receive.	27-28
	Deferral	If you are under age 70-1/2, deferral is automatic at time of termination. Can end deferral anytime up to the April 1st of the calendar year following the calendar year in which you reach age 70-1/2. You can leave stock in your Company Match Account as stock or have all or part (in 1% increments) of it converted to cash and transferred to any of the other investment funds (excluding the Monsanto Stock Fund) or pre-mixed portfolios. You can make separate elections for your Monsanto Company Match Account and your Solutia Company Match Account. Choice of repaying loan within two months after terminating employment. Two partial distributions (minimum \$200) per calendar year will be allowed. When you end deferral, you can elect final distribution or installment payments (if account balance above \$5,000).	28-31
	Installment Payments	Need account balance above \$5,000. You select either payment period (one year to a maximum depending on your age) or specific dollar amount per payment. You select payment interval (monthly, quarterly, annually). Accounts remain invested in accordance with your current investment election. Can make investment transfers at any time. Twice per calendar year; can take a partial distribution (minimum \$200). Can change payment period or interval at any time.	31-35

SAVINGS AND INVESTMENT PLAN

How the Plan Works (cont'd)

Taking Money Out Of SIP – Your Options (cont'd)

<u>YOUR STATUS</u>	<u>OPTIONS</u>	<u>HIGHLIGHTS</u>	<u>SEE PAGE(S)</u>
DEATH	Deferral	A SIP beneficiary who is a surviving spouse may defer distribution up to December 31 of the calendar year in which the participant would have reached 70-1/2 (or December 31 of the calendar year after the year in which the participant died, if later). Such surviving spouse may take up to two partial distributions (minimum \$200) per calendar year while in deferral status. At the end of the deferral period, the surviving spouse will begin to receive minimum distribution payments, unless a separate distribution election is made. A SIP beneficiary who is not a surviving spouse may elect to defer distribution for up to five years from the date the participant died.	35-36
	Final Distribution	A SIP beneficiary may elect to receive a final distribution either immediately or at any time up to the end of the deferral period.	35-36
	Installment Payments	A SIP beneficiary who is a surviving spouse may elect to receive installment payments provided account balance is above \$5,000. Surviving spouse selects either payment period (not to exceed participant's life expectancy) or fixed dollar amount. Surviving spouse also elects payment interval (monthly, quarterly, annually). Can change payment period or interval at any time. Can take two partial distributions (minimum \$200) per calendar year.	35-36

SAVINGS AND INVESTMENT PLAN

How
the Plan
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(cont'd)

WITHDRAWALS (IN-SERVICE AND AGE 59-1/2)

In-Service Withdrawals

If you are under age 59-1/2, you can withdraw money only from your After-Tax Account and the Company Match Account — not from your Before-Tax Account or your Rollover Account.

You can withdraw any amount from your After-Tax Account and your Company Match Account, with one exception. If your combined years of participation in this plan and Monsanto's SIP are less than five, you cannot withdraw matching contributions credited to your Company Match Accounts in the last 24 months and any portion of your Company Match Accounts in which you are not vested. You can specify the exact amount you want to withdraw (\$200 minimum) or you can withdraw 100% of the amount available.

If you elect an in-service withdrawal, the money will be withdrawn first from your After-Tax Account pro-rata across all your investment choices and secondly from your Solutia and Monsanto Company Match Accounts pro-rata.

(When it comes time to report to you and the IRS which withdrawn amounts are taxable and nontaxable, there are different rules to determine the order in which money is withdrawn. See the Tax Information section on pages 38-46.)

Age 59-1/2 Withdrawal

After you reach age 59-1/2 as an active employee, you can withdraw any amount from your After-Tax Account, Before-Tax Account, Rollover Account and your Company Match Accounts, with one exception — you cannot withdraw any portion of your Company Match Accounts in which you are not vested. You can specify the exact amount you want to withdraw (\$200 minimum) or you can withdraw 100% of the amount available.

If you elect an age 59-1/2 withdrawal, the money will be withdrawn first from your After-Tax and Before-Tax Accounts pro-rata across all your investment choices and secondly from your Solutia and Monsanto Company Match Accounts pro-rata.

How And When To Apply For An In-Service Or Age 59-1/2 Withdrawal

Call the interactive voice response system at the Benefits Center between 5 a.m. and 1 a.m. Central time, Monday through Saturday. If you withdraw any portion of your Employee Stock Account or your Company Match Account, you can elect to receive such amounts in cash or in shares of Monsanto and/or Solutia stock. You will make separate elections for your Monsanto Employee Stock Account, your Solutia Employee Stock Account, your ~~Monsanto~~ Company Match Account and your Solutia Company Match Account. If you want to receive shares of Monsanto and/or Solutia stock, you will need to call and speak to a Benefits Center Representative. Representatives are available from

SAVINGS AND INVESTMENT PLAN

How
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drawals
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8 a.m. to 5 p.m. Central time, Monday through Friday. When you elect a withdrawal, you will need to indicate whether you want the withdrawal amount paid directly to you or rolled over to an IRA. If you elect to have the withdrawal rolled over to an IRA, you will need to speak to a Benefits Center Representative. You will receive a confirmation notice of your request. **You must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or your withdrawal request will be canceled.**

If you are receiving Monsanto and/or Solutia stock, your stock certificate(s) will be sent separately from your check.

If you have diversified Solutia Company Match Account amounts invested in the other investment funds and/or pre-mixed portfolios and you want to receive such amounts as Solutia stock, you will need to make a Company Match Reallocation Election (see pages 18-19) at the time you make your withdrawal request.

Tax Information

You will pay ordinary income tax and possibly an additional 10% penalty tax on the taxable portion of your withdrawal. See the Tax Information section on pages 38-46.

LOANS

Loan amounts are taken first from your before-tax funds and then from your after-tax funds, in \$1 increments. You can take from 12 to 60 months to pay yourself back. You cannot take a loan if your vested account balance is less than \$1,000 or if you are in deferral or installment status.

You cannot borrow from the Company Match.

How Much

If your total vested SIP balance is over \$1,000, the least amount you can borrow is \$500, and the most you can borrow is the lesser of:

- ▶ \$50,000 minus the highest outstanding loan balance you had in the last 12 months, or
- ▶ 50% of your total vested SIP balance.

Note that you cannot borrow from the Company Match (including diversified Company Match Account amounts which are invested in the other investment funds and/or pre-mixed portfolios), but the value of your Company Match Account is counted when determining your total vested SIP balance.

How Often

Loans can be requested at any time. However, you can only have two outstanding loans at a time. The total amount of the two loans cannot exceed your loan maximum.

SAVINGS AND INVESTMENT PLAN

How
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— Loans
(cont'd)

Interest Rates

Interest rates are set quarterly for new loans. Currently, the rate is based on the prime interest rate.

When you take out a loan, the interest rate will be determined as of the effective date of the loan and will not change for the life of your loan.

How Long

You can establish a loan repayment schedule from 12 to 60 months. You can pay off the remaining balance of your loan with no prepayment penalty. Partial prepayments are not allowed. Repayments are invested according to your current investment elections.

How And When To Apply

To request a loan, call the Benefits Center.

You will receive a "Promissory Note/Disclosure Statement." It will show all the specifics — the annual rate of interest, the total amount of interest you'll pay and the actual payroll deduction from each paycheck. Your loan check will be mailed to you as soon as administratively possible after you make a request, usually within two weeks. By negotiating or taking the proceeds of the loan check, you are agreeing to be bound by the terms of the Promissory Note/Disclosure Statement.

Sources Of Loan Funds

If you have both Before-Tax and After-Tax Accounts, your loan will be secured first by your Before-Tax Account and then by your After-Tax Account. The money for your loan will be taken from your investment funds and/or pre-mixed portfolios on a pro-rata basis.

Repaying A Loan

You have to repay your loan through payroll deduction with each paycheck. You can make an early repayment by personal check, but it must be for the total outstanding loan balance. Call the Benefits Center to request payoff of your loan. After all payroll deductions have been stopped, you will receive a notice informing you of the final loan payoff amount. You will need to send this amount to the Benefits Center by the date specified on the notice. Otherwise, payroll deductions will resume.

Loan principal: you will be paying back your After-Tax Account first, then your Before-Tax Account. Thus, you are first paying back the After-Tax Account which is more readily available for withdrawal than your Before-Tax Account.

SAVINGS AND INVESTMENT PLAN

How
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— Loans
(cont'd)

Loan interest: interest payments on the outstanding loan balance will be allocated between your After-Tax and Before-Tax Accounts in proportion to the outstanding loan balance due to both.

Both principal and interest payments will be split among the investment funds and/or pre-mixed portfolios, depending on your then-current investment election. If no election is currently on file, the payments will be invested in the Fixed Income Fund.

If you are not able to repay your loan within the required 60-month maximum repayment period as a result of layoff, unpaid leave of absence, or any other reason: a taxable distribution to you in the amount of the unpaid loan balance will be declared at the earlier of a final distribution or the end of the maximum 60-month repayment period. With respect to any amounts secured by your Before-Tax Account, you will still be obligated to repay the loan and interest will continue to accrue on the outstanding balance until you are able to take a before-tax distribution. If you return to employment before receiving a taxable distribution, you will have two choices on how to repay the remaining balance on your loan: (1) write a personal check to make up for missed payments or to pay off your loan completely, or (2) increase the repayment amount deducted from your paychecks so that your loan is paid off by the original maturity date.

What Happens To Your Loan If You Have An Outstanding Loan Balance And Elect Other SIP Payments

If you have an outstanding loan balance and

- ▶ You elect an in-service withdrawal and are under age 59-1/2: you must continue to repay the outstanding loan balance.
- ▶ You elect an age 59-1/2 withdrawal: you continue to repay the outstanding loan balance unless you specifically request to cancel your loan (in which case the outstanding loan balance is included in the amount reported to the IRS as distributed to you, but it is not actually included in your withdrawal amount).
- ▶ You receive a final distribution (no matter what your age): your loan is canceled — you don't need to "pay it off." Because you already received the money, the outstanding loan balance is included in the amount reported to the IRS as distributed to you, but it is not actually included in the amount distributed to you at this time.
- ▶ You elect the deferral option: you have a choice of paying off your loan or not.
- ▶ You elect installment payments: you have a choice of paying off your loan or not.

If you have a choice of paying off your loan or not, and you do not pay off your loan within two months after your termination of employment, your loan balance will be considered as distributed to you and reported to the IRS as a distribution for income tax purposes. This can impact whether a distribution in a later year would qualify for lump sum tax treatment. If you want to roll over your taxable loan amount, you must repay the loan before you receive